

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name White Lake Area Solid Waste Authority	County Muskegon
Fiscal Year End 06/30/2006	Opinion Date 09/01/2006	Date Audit Report Submitted to State 12/12/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations)

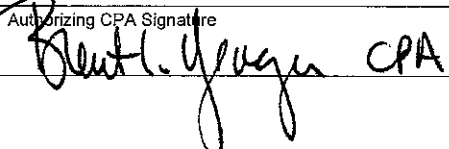
YES
NO

Check each applicable box below (See instructions for further detail)

- 1 ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary
- 2 ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P A. 275 of 1980) or the local unit has not exceeded its budget for expenditures
- 3 ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury
- 4 ☒ ☐ The local unit has adopted a budget for all required funds.
- 5 ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- 6 ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- 7 ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- 8 ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements
- 9 ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin)
- 10 ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover
- 11 ☒ ☐ The local unit is free of repeated comments from previous years.
- 12 ☐ ☒ The audit opinion is UNQUALIFIED.
- 13 ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP)
- 14 ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute
- 15 ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A - None	
Other (Describe)	<input type="checkbox"/>	N/A - None	
Certified Public Accountant (Firm Name) Pridnia LaPres, PLLC		Telephone Number 231-739-9441	
Street Address 3145 Henry Street, Ste. 200		City Muskegon	State MI
Zip 49441			
Authorizing CPA Signature 		Printed Name Brent C. Yeager, CPA	License Number 1101021594

White Lake Area Solid Waste Authority

**Financial Statements and
Required Supplemental Information**
Year Ended June 30, 2006

White Lake Area Solid Waste Authority

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Independent Auditors' Report

To the Board of Directors
White Lake Area Solid Waste Authority
Whitehall, Michigan

We have audited the financial statements of the White Lake Area Solid Waste Authority as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the White Lake Area Solid Waste Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

No accounting controls are exercised over fees for services prior to the initial entry of the fees in the accounting records. Accordingly, it was impractical to extend our audit beyond the receipts recorded.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the cash collections of fees referred to above been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of the White Lake Area Solid Waste Authority as of June 30, 2006 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Pridnia LaPres, PLLC

September 1, 2006

White Lake Area Solid Waste Authority

Management's Discussion and Analysis

This section of the White Lake Area Solid Waste Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2006. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Lake Area Solid Waste Authority financially as a whole. The basic financial statements are comprised of the following elements:

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

Basic Financial Statements

Financial Statements

Statement of Net Assets

Statement of Revenues, Expenses and Changes in Net Assets

Statement of Cash Flows

Notes to the Basic Financial Statements

The Statement of Net Assets provides balances as of the end of the reporting period. The Statement of Revenues, Expenses and Changes in Net Assets provides information related to the activities of the Authority during the year. The Statement of Cash Flows presents detailed information about the Authority's cash collection and disbursement.

Financial Overview

Recall that the Statement of Net Assets provides the perspective of the Authority as a whole. The following table provides a comparison of the Authority's net assets as of June 30, 2006 and June 30, 2005:

Statement of Net Assets		
	2006	2005
<u>Assets</u>		
Current and other assets	\$ 36,489	\$ 26,944
Capital assets	322	453
Total Assets	36,811	27,397
<u>Liabilities</u>		
Current Liabilities	7,993	6,407
<u>Net Assets</u>		
Invested in capital assets - net of related debt	322	453
Unrestricted	28,496	20,537
Total Net Assets	\$ 28,818	\$ 20,990

White Lake Area Solid Waste Authority**Management's Discussion and Analysis**

The above analysis focuses on the net assets. Current assets increased due primarily to an increase in charges for services. The change in net assets (see table below) of the Authority's governmental activities is discussed below. The Authority's net assets were \$28,818 at June 30, 2006. Capital assets, net of related debt totaled \$322, which is a decrease of \$131 from the prior year due to current year depreciation. The remaining amount of net assets \$28,496 was unrestricted.

The \$28,496 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used to provide working capital and cash flow requirements as well as providing for future uncertainties.

The results of this year's operations for the Authority are reported in the Statement of Activities, which shows the changes in net assets for the year.

Statement of Activities		
	2006	2005
Operating revenues		
Charges for services	\$ 77,139	\$ 70,456
Operating expenses		
Salaries and fringe benefits	9,386	9,114
Contracted services	54,480	52,524
Telephone	372	364
Professional fees	1,475	1,755
Insurance and bonds	2,019	2,176
Administrative services	1,500	1,500
Repairs and maintenance	-	43
Depreciation	131	131
Other	130	166
	69,493	67,773
Operating income	7,646	2,683
Non-operating revenues		
Investment earnings	182	131
Net income	7,828	2,814
Net Assets, at beginning of year	20,990	18,176
Net Assets, at end of year	\$ 28,818	\$ 20,990

Increase in Net Assets

The Authority experienced an increase in net assets of \$7,828. Key reason for the change in net assets was an increase in charges for service. The main reason was due to the additional usage charges to the participating municipalities related to pride week. Operating expenses were insignificantly higher than last year. The net result was the resulting improvement in the net assets.

Capital Assets and Debt Administration**Capital Assets**

At June 30, 2006, the Authority had \$322 (after accumulated depreciation) invested in a broad range of capital assets, including a building and transfer station equipment. This amount represents a net decrease of \$131 from last year.

	2006	2005
Transfer station	\$ 75,185	\$ 75,185
Buildings	3,068	3,068
Total capital assets	78,253	78,253
Accumulated depreciation	77,931	77,800
Total assets, net	\$ 322	\$ 453

There were no capital asset additions or deletions during the year.

Economic Factors

The Authority has been slowly utilizing net assets to cover its annual net losses until last year. The Authority changed its billing policies related to pride week, in 2005, to increase revenues. The Authority has adopted a break even budget for fiscal year 2007. The budget could be affected by several factors which may require the adjustment of the budget as the year progresses. The Authority's finances would be affected by an increase in dumping or hauling costs. If these costs increase it is likely that the Authority would have to adjust its revenues in a manner to recover these additional costs through higher user fees or assessments to the participating municipalities. On the chance that revenue may need to be adjusted the Authority has agreed on a formula for assessing participating municipalities.

Contacting the Authority Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those interested in the Authority. If you have any questions about this report or need additional information, contact the White Lake Area Solid Waste Authority at 8778 Ferry St., Montague, MI 49437

White Lake Area Solid Waste Authority

Statement of Net Assets

June 30, 2006

Assets

Current Assets

Cash and investments (Note 2)	\$ 28,452
Due from other governmental units	8,037

Total Current Assets 36,489

Non-Current Assets

Capital assets

Land improvements	75,185
Buildings	3,068
Less accumulated depreciation	(77,931)

Net Capital Assets 322

Total Assets 36,811

Liabilities and Net Assets

Liabilities

Accounts payable	5,410
Due to other governments	2,583

Total Liabilities 7,993

Net Assets

Invested in capital assets	322
Unrestricted	28,496

Total Net Assets \$ 28,818

See accompanying notes to financial statements.

White Lake Area Solid Waste Authority

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2006

Operating Revenues

Charges for services	\$ 77,139
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Operating Expenses

Salaries and fringe benefits	9,386
Contracted services	54,480
Telephone	372
Professional fees	1,475
Insurance and bonds	2,019
Administrative services	1,500
Depreciation	131
Other	130

Total Operating Expenses	69,493
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Operating Income	7,646
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Non-Operating Revenue

Investment earnings	182
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Change in Net Assets	7,828
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Net Assets – Beginning of year	20,990
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Net Assets – End of year	\$ 28,818
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See accompanying notes to financial statements.

White Lake Area Solid Waste Authority

Statement of Cash Flows

Year ended June 30, 2006

Cash Flows from Operating Activities

Receipts from customers	\$ 73,399
Payments to suppliers	(59,127)
Payments to employees	(8,649)
Net Cash Provided by Operating Activities	5,623

Cash Flows from Investing Activities

Investment income	182
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Net Increase in Cash and Cash Investments 5,805

Cash and Cash Equivalents, Beginning of year 22,647

Cash and Cash Equivalents, End of year \$ 28,452

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 7,646
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	131
Changes in assets and liabilities:	
Due from other governmental units	(3,740)
Due to other governmental units	2,583
Accounts payable	(997)

Net Cash Provided by Operating Activities \$ 5,623

See accompanying notes to financial statements.

White Lake Area Solid Waste Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the White Lake Area Solid Waste Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance, subject to the same limitation. The Authority has elected not to follow subsequent private-sector guidance. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The White Lake Area Solid Waste Authority is incorporated under the provisions of Act 179, Public Acts of Michigan, as amended, for the purpose of the collection and disposal of garbage and rubbish for citizens of its constituent municipalities: the Cities of Whitehall and Montague, the Townships of Blue Lake, Montague, Whitehall and White River.

Each of the municipalities participating in the Authority share the cost of operating and financing it. Initial capital requirements for construction of the transfer station and annual operating contributions are allocated to the municipalities in proportion to their respective populations. In addition, operating costs of the Authority are partially funded by user fees.

Basis of Accounting

Financial activities of the Organization are accounted for using the accrual basis of accounting.

White Lake Area Solid Waste Authority

Notes to Financial Statements

Assets, Liabilities and Net Assets

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this Standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The Standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Capital Assets

Capital Assets, which include plant and equipment are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

White Lake Area Solid Waste Authority

Notes to Financial Statements

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20
Land improvements	10-20

2. Deposits and Investments

Deposits

Custodial Credit Risk Related to Deposits

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business. At June 30, 2006, none of the Authority's bank balances of \$23,583 were exposed to custodial credit risk.

Investments

The Authority invests certain funds in an external investment pool (Pool). The Pool is not regulated nor is it registered with the SEC. The Pool reports as of June 30, 2006, the fair value of the Authority's investments of \$4,790 is the same as the value of the Pool shares.

White Lake Area Solid Waste Authority

Notes to Financial Statements

Interest Rate Risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Custodial Credit Risk Related to Investments

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Authority's investment policy, pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business. All of the Authority's investments are held in the name of the Authority.

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential loss from any one type of security or issuer will be minimized.

White Lake Area Solid Waste Authority

Notes to Financial Statements

Credit Risk

State statutes authorize the Authority to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments. The Authority's investment policy does not further limit its investment choices.

Foreign Currency Risk

The Authority is not authorized to invest in investments which have this type of risk.

3. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Capital assets, being depreciated				
Buildings	\$ 3,068	\$ -	\$ -	\$ 3,068
Land Improvements	75,185	-	-	75,185
Total	78,253	-	-	78,253
Less accumulated depreciation for				
Buildings	2,830	59	-	2,889
Land improvements	74,970	72	-	75,042
Total	77,800	131	-	77,931
Capital Assets, net	\$ 453	\$ (131)	\$ -	\$ 322

White Lake Area Solid Waste Authority

Notes to Financial Statements

4. Related Party Transactions

The Authority pays an administrative fee to the City of Montague, a participating governmental unit, for allocated City employee wages and fringe benefits. The fee incurred for the year ended June 30, 2006 was \$1,500.

5. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance coverage in the prior three years.